



Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, June 3, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of  
Bank Operations  
Mr. Solomon, Director, Division of  
Examinations  
Mr. Johnson, Director, Division of  
Personnel Administration  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division  
of Examinations  
Mr. McClintock, Supervisory Review Examiner,  
Division of Examinations

Circulated items. The following items, copies of which are  
attached to these minutes under the respective item numbers indicated,  
were approved unanimously:

	<u>Item No.</u>
Letter to The Chemical State Savings Bank, Midland, Michigan, approving the establishment of a branch at 2106 North Saginaw Road.	1
Letter to Republic National Bank of Tulsa, Tulsa, Oklahoma, granting its request for permission to maintain reduced reserves.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Chippewa Trust Company, St. Louis, Missouri, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Minneapolis approving the appointment of Thomas E. Gainor as Alternate Assistant Federal Reserve Agent.	4
Letter to the Federal Reserve Bank of Richmond approving the payment of salary to four officers at rates fixed by the Bank's Board of Directors.	5

Visit by Mr. Roth. As previously arranged, and as discussed at the Board meeting on May 27, 1964, Mr. Arthur Roth, Chairman of the Board of Franklin National Bank, Franklin Square, New York, met with members of the Board's staff on May 28. The presumption had been that Mr. Roth would want to pursue the subject of the Board's denial of his bank's request for permission to continue to carry country bank reserves following establishment of a branch in New York City. However, as described in a memorandum from Mr. Farrell dated June 2, 1964, which had been distributed, it developed that instead Mr. Roth devoted his time to a discussion of inequities that he saw in the present formula of reserve requirements and urging that the Board consider adoption of a graduated basis. Mr. Roth seemed surprised when told that it had been generally felt that a change in the law would be necessary and said he saw no reason why the Board could not fix a graduated scale within the ranges provided in the Federal Reserve Act, although he recognized that such an arrangement was not contemplated at the time the present legislation was enacted. He indicated that he would have his counsel transmit a brief on the subject. After lunch Mr. Roth presented to Governor Balderston and Mr. Farrell an informal paper illustrating, for reserve

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city and for country banks, what he had in mind as a graduated basis for reserve requirements that could, in his opinion, be adopted by the Board without obtaining legislation. In Mr. Farrell's memorandum the application of this suggestion to selected reserve city and country banks of various sizes was indicated.

In discussion, Governor Balderston said that Mr. Roth had also talked briefly with Governor Robertson. As Governor Balderston understood it, Governor Robertson had expressed to Mr. Roth the view that any such proposal should preferably be adopted as part of a package imposing identical reserve requirements on all commercial banks.

Governor Daane commented that according to his recollection the President's Committee on Financial Institutions had recommended graduated reserve requirements as part of a package.

Chairman Martin then suggested that the Legal Division prepare for the Board a memorandum on the question whether a graduated basis of reserve requirements could be adopted by the Board without obtaining legislation, and Mr. Hackley indicated that such a memorandum would be prepared. As far as he knew, the Legal Division had never explored the question intensively; it had been assumed that legislation would be necessary. He would be glad to see any legal memorandum that might be furnished by Mr. Roth's counsel.

Governor Daane observed that, aside from the legal question, there was the question whether this would be a desirable move from a

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policy standpoint. This would suggest the desirability of study by the research staff if the Board went beyond the legal question.

Messrs. Johnson, O'Connell, and McClintock then withdrew from the meeting.

Special Conference of General Auditors (Item No. 6). By letter dated May 27, 1964, Mr. Bean, Chairman of the Conference of Chairmen of the Federal Reserve Banks, transmitted to the Board a copy of a letter dated May 25, 1964, from Chairman Hoadley of the Federal Reserve Bank of Philadelphia submitting the suggestion of the Philadelphia directors that representatives of the public accounting firms that had been engaged by some Reserve Banks to make studies of their auditing procedures be invited to participate in the forthcoming Special Conference of General Auditors of the Federal Reserve Banks, to be held at the Board's offices on June 25-26, 1964.

At the Board's request, Mr. Solomon reviewed several alternative arrangements that might be utilized to implement the suggestion if it should be favored. Among these the plan preferred by Mr. Solomon, and as it developed also by the members of the Board, involved setting up a panel discussion, perhaps as the first order of business of the meeting, in which representatives of the three firms that had been retained by Reserve Banks to review their auditing procedures would be invited to participate and answer questions. Mr. Solomon indicated that such an arrangement would be agreeable to a partner of Haskins & Sells with whom he had spoken; he had not yet contacted the other two firms.

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While members of the Board expressed some reservations as to how much might be gained from such an arrangement, particularly in view of the reports already rendered by the respective firms, the consensus favored proceeding along the lines indicated and Mr. Solomon was authorized to take the necessary steps, it being understood that the Board's action included authorization for such payments to the public accounting firms as might be required in connection with their participation.

A copy of a letter subsequently sent to Chairman Bean is attached as Item No. 6; a copy was sent to Chairman Hoadley.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Personnel Administration dated May 27, 1964, recommending approval of the following revised procedure regarding the payment of fees for students attending the Stonier Graduate School of Banking effective immediately:

- (a) The Board of Governors will pay direct to the School all necessary fees for which students are billed, which for the 1964 session include the following:

Registration fee	\$ 25
Tuition fee	265
Dormitory and dining hall charges	200
Session gratuities	<u>10</u>
TOTAL	\$500
Diploma fee (for seniors)	\$ 10

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- (b) All students will receive per diem in accordance with the Board's Travel Regulations for the time they are in travel status before and after scheduled sessions at the School;
- (c) Second- and third-year students will receive, in addition to per diem while in travel status before and after scheduled sessions of the School, per diem for the extra days they are required to be at the School in advance of regular sessions;
- (d) Third-year students will be reimbursed for the rental of white suit jackets required for graduation. Last year this charge was \$6.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

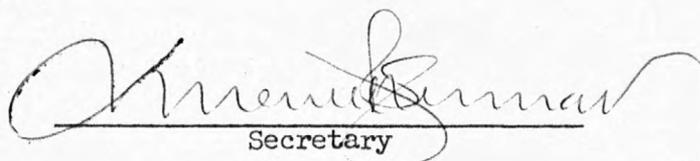
Appointment

Brenda Diana Boyd as Clerk-Typist, Division of Administrative Services, with basic annual salary at the rate of \$3,620, effective the date of entrance upon duty.

Acceptance of resignations

Gertrude E. Boothe, Secretary, Legal Division, effective at the close of business June 5, 1964.

Gloria J. H. Williams, Secretary, Office of the Secretary, effective at the close of business June 12, 1964.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1964.

Board of Directors,  
The Chemical State Savings Bank,  
Midland, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chemical State Savings Bank, Midland, Michigan, of a branch at 2106 North Saginaw Road, Midland, Michigan, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
6/3/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1964.

Board of Directors,  
Republic National Bank of Tulsa,  
1514 Thompson Building,  
Tulsa, Oklahoma.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Republic National Bank of Tulsa to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 3  
6/3/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1964.



The Honorable Joseph W. Barr, Chairman,  
Federal Deposit Insurance Corporation,  
Washington, D. C. 20429

Dear Mr. Barr:

Reference is made to your letter of May 19, 1964,  
concerning the application of Chippewa Trust Company, St. Louis,  
Missouri, for continuance of deposit insurance after withdrawal  
from membership in the Federal Reserve System.

There have been no corrective programs urged upon the  
bank, or agreed to by it, which have not been fully consummated,  
and in the Board's opinion, there are no such programs that it  
would be advisable to incorporate as conditions of admitting the  
bank to membership in the Corporation as a nonmember of the  
Federal Reserve System.

Very truly yours,  
(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
6/3/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1964.



Mr. Atherton Bean,  
Federal Reserve Agent,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota. 55440.

Dear Mr. Bean:

In accordance with the request contained in your letter of May 21, 1964, the Board of Governors approves the appointment of Mr. Thomas E. Gainor as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Minneapolis to succeed Mr. Theodore J. Vander Noot, Jr.

This approval is given with the understanding that Mr. Gainor will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent, Mr. Gainor may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Gainor is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Gainor execute the usual Oath of Office which should be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5  
6/3/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1964.

CONFIDENTIAL (FR)

Mr. Edwin Hyde,  
Chairman of the Board,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia 23213.

Dear Mr. Hyde:

The Board of Governors has approved the payment of salary, at rates indicated, to the following officers of the Federal Reserve Bank of Richmond for the period July 1 through December 31, 1964:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. C. Horigan	Chief Examiner	\$15,000
E. L. Bennett	Examining Officer	14,500
C. D. Porter, Jr.	Examining Officer	13,500
R. H. Smart	Examining Officer	14,500

The rates approved by the Board are those fixed by your Board of Directors, as reported in your letter of May 19, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
6/3/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 4, 1964.

Mr. Atherton Bean, Chairman,  
Conference of Chairmen,  
c/o Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota 55440.

Dear Atherton:

The Board has considered your letter of May 27, 1964, as well as the letter you enclosed from Walter Hoadley, regarding the proposed special Conference of General Auditors to be held on June 25 and 26. The Board felt that Mr. Hoadley's suggestion had merit and that it would be beneficial to arrange for a panel discussion at the beginning of the Conference by representatives of the three accounting firms that had surveyed the audit function at certain Reserve Banks. This would permit the presentation of the views of the accounting firms on a firsthand basis, and it would also afford an opportunity for questions from those in attendance, without undue encroachment on the time of the Conference itself.

At the Board's request, Mr. Frederic Solomon, Director of its Division of Examinations, has arranged for such a panel discussion, to run for approximately an hour or two hours at the beginning of the meeting on June 25. It is hoped that this period will provide helpful background for the further deliberations scheduled to take place during the Conference.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.